

(323) 881-2401

October 31, 2002

TO: EACH SUPERVISOR

FROM: P. MICHAEL FREEMAN

WORKERS' COMPENSATION

As the Fire Chief, responsible to you and the citizens of the County, I must fulfill many responsibilities. Among the highest of my responsibilities is fiscal management and control. In this regard, an important area of focus for me is workers' compensation, its growing costs and the challenge to effectively control them, and opportunities for improvement.

Although we have taken a number of decisive steps aimed at addressing workers' compensation issues in the past, more are planned. Given the costs and complexities of workers' compensation, this report is submitted for your information and as a first installment of what I plan to be a series of reports detailing our future efforts, successes, and any setbacks that may be encountered.

OVERVIEW OF WORKERS' COMPENSATION WITHIN THE FIRE DEPARTMENT

Workers' compensation costs are charged to the Fire Department, a special fire district, based on line-of-duty injuries incurred by our employees whether firefighters or in other classifications. For the past several years, the following have affected Fire Department workers' compensation costs:

- rising costs of medical care,
- ongoing cases that are open for a longer period, and
- legislated benefit changes.

Similar to the rate of increase in the County overall, the Fire Department has experienced an upsurge in workers' compensation expenses. For example, direct costs of workers' compensation in Fiscal Year 1998-99 were \$17 million for the Department. In Fiscal Year 2002-03, they are estimated to exceed \$31 million. Much less by comparison are increasing indirect costs charged to the

Department by other County departments, the State, the third party administrator and the County's medical management company.

Although most costs associated with workers' compensation are beyond the control of County departments, we will be working in coming months to identify those areas where we can control costs and effect savings. We will provide a progress report to your Board in March 2003.

FIRE DEPARTMENT ACTIONS TO CONTROL COSTS

We have taken actions and are committed to additional strategies to reduce the rate of increases in these costs including the following:

- Implementation of the County's Early-Return-to-Work Program for workers' compensation. This program emphasizes:
 - coordination of all facets of a workers' compensation claim,
 - returning employees back to full duty as soon as possible, and
 - reduction of productivity loss through the use of temporary, limited duty assignments.
- Implementation of a training program for supervisors to ensure that they are taking appropriate actions through a better understanding of the workers' compensation system.
- Transfer of our Workers' Compensation Program to the newly-established Risk Management Division to align the Department's risk management structure with the Countywide Risk Management Program.
- Development of revised reporting forms and updated Department-wide policies regarding injuries.
- Development of an improved Injury-Illness Prevention Program with guidance from Cal-OSHA, including injury prevention through better work methods, and mitigating hazards in the workplace.

Future strategies include the following:

- More aggressive case management in conjunction with the third party administrator, including in-depth review of more cases, and identifying those cases with a very high cost potential.
- Develop measures of effectiveness to evaluate our success in the overall management and cost controls for this program.
- Increase the number of cases utilizing the Early Return-to-Work Program.
- Utilize the Department's loss history and exposure data to improve the effectiveness of the Wellness/Fitness Program.
- Increase the application of ergonomically-correct offices to reduce repetitive stress injuries among civilian employees.

SERVICE-CONNECTED DISABILITY RETIREMENTS

A high rate of service-connected disability retirements is common throughout California in the fire service, and our County is no exception. However, the cost impact of disability retirements to the County and the Fire Department is not significant.

The primary advantage of a service-connected disability retirement to the employee is a tax-exempt status for the first 50% of the retirement benefit (a cost to the State and federal governments), and the full 100% benefit for the surviving spouses (a cost to LACERA). State law provides significant financial benefits to firefighters and their families for disability retirements granted by LACERA, and we have found that firefighters avail themselves of this benefit.

CONCLUSION

Injuries reported by our employees and the resulting workers' compensation costs are consistent with the experience in other fire departments and throughout government agencies and businesses throughout the State. Despite the uncontrollable nature of most of these costs, we are committed to continuing and expanding our efforts to reduce costs that we can control. We will provide your Board an update on our progress in March 2003.

Each Supervisor
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If you have any questions or would like to discuss this issue, please call me at
(323) 881-2401.

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